

Members

Sen. Luke Kenley, Chairperson  
Sen. Brandt Hershman  
Sen. John Broden  
Rep. Peggy Welch  
Rep. Eric Turner

Advisors

Sen. Robert Meeks  
Sen. Lindel Hume  
Rep. William Crawford  
Rep. Jeffrey Espich  
John Grew  
Steven Johnson  
Katrina Hall

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Diane Powers, Fiscal Analyst for the Commission  
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Authority: IC 2-5-3-2



# COMMISSION ON STATE TAX AND FINANCING POLICY

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## MEETING MINUTES<sup>1</sup>

**Meeting Date:** September 17, 2007  
**Meeting Time:** 1:00 P.M.  
**Meeting Place:** State House, 200 W. Washington St.,  
Room 404  
**Meeting City:** Indianapolis, Indiana  
**Meeting Number:** 5

**Members Present:** Sen. Luke Kenley, Chairperson; Sen. Brandt Hershman; Sen. John Broden; Rep. Peggy Welch; Rep. Eric Turner; Sen. Robert Meeks; Sen. Lindel Hume; Rep. William Crawford; Rep. Jeffrey Espich; John Grew; Steven Johnson; Katrina Hall.

**Members Absent:** None.

### I. Call to Order.

Sen. Luke Kenley, chairperson, called the meeting to order at 1:03 PM.

### II. West Lake Expansion Project - Presentation by Rep. Peter Visclosky.

Sen. Kenley introduced Rep. Chester Dobis to begin the presentation on the west lake expansion project (expansion project).

Rep. Dobis thanked the Commission for the invitation to speak, and gave a brief summary of the history of the expansion project. Rep. Dobis explained that the goals of expanding commuter rail in Northwest Indiana are to reduce traffic, gasoline consumption, pollution, and also increase the mobility of Northwest Indiana residents toward the economic and

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<sup>1</sup> Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.in.gov/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

occupational benefits of the Chicago area. Rep. Dobis introduced United States Representative Peter Visclosky to give a slide presentation to the Commission (Exhibit A).

Rep. Visclosky highlighted the goals of the expansion project, and provided details on the expansion and construction of commuter railways to better link Northwest Indiana with the Chicago area. Rep. Visclosky discussed the ability of Indiana to leverage Federal funds to accomplish this expansion project and attempt to improve the quality of life for Northwest Indiana residents.

The Commission discussed the following issues with Rep. Dobis and Rep. Visclosky:

- the need for an annual revenue stream to maintain the railways;
- funding mechanism options for capital and maintenance funding;
- use of money from the "Major Moves" lease of the Indiana toll road which was distributed to communities in Northwest Indiana;
- use of gaming revenues distributed to Northwest Indiana communities;
- development projects initiated by the Northwest Indiana Regional Development Authority (RDA);
- development of the Gary Airport;
- current bonding capacity available to the RDA; and
- whether residents would use the railways if the rail was constructed.

Sen. Kenley next recognized Rep. Ed Soliday to testify on the expansion project. Rep. Soliday urged the Commission to look beyond the capital and maintenance expenditures and examine the macro-economic effects of mass-transit being constructed in Northwest Indiana. He claimed that land values would increase along with retail transactions in Indiana due to commuters from the Chicago area.

Sen. Ed Charbonneau testified on his experiences with the improvements to his quality of life due to availability of commuter railways in various parts of Indiana and other parts of the United States.

Sen. Karen Tallian testified on the environmental impact of the expansion project. She provided the Commission with statistics on the estimated number of gallons of gasoline saved per year, as well as the annual number of cars not on the road due to one railway line.

### III. Assessment of Rental Property.

Sen. Kenley recognized Thomas Atherton, representing the Indiana Apartment Association, to testify on issues involving assessment of rental property. Mr. Atherton distributed and discussed a memorandum detailing legal issues of the different assessment methods and property tax treatment of rental and owner-occupied residential property (Exhibit B).

The Commission discussed the following issues with Mr. Atherton:

- constitutional permissibility of providing the homestead deduction;
- political realities involved with property taxation;
- constitutional distinction between the homestead deduction and all other deduction;
- constitutional issues with inequity between assessments of homesteads in different taxing districts but close to each other geographically;
- issues facing rental properties with a small number of units versus issues of rental properties with a large number of units;
- different application of the circuit breaker depending on location of the property;

- the shelter allowance and the renter's income tax deduction; and
- whether the legislature has the power to prescribe a particular assessed value to all farm land.

Sen. Kenley then opened the meeting for public testimony on issues involving assessment of rental property. The following issues were discussed (also see Exhibits C and D):

- providing a deduction to rental properties similar to the homestead deduction;
- providing incentives for investment and maintenance of rental properties;
- the increasing number of mortgage foreclosures;
- the relation between property tax increases and investment in property rehabilitation by rental owners and developers;
- allowing a 2% circuit breaker for rental properties;
- the types of housing provided by rental owners; and
- demographics of renters.

#### IV. Local Option Income Tax (LOIT) Revenue.

Sen. Kenley introduced Dan Novreske, Senate Majority Fiscal Analyst, to present LOIT issues for discussion (Exhibit E).

Jon Eckert, Commission of the Department of Revenue (DOR), and Chris Ruhl, State Budget Director, testified before the Commission on issues involved with LOIT distributions to county governments. The Commission discussed the following issue with Mr. Eckert and Mr. Ruhl:

- the current system for making LOIT distributions;
- tracking late income tax filings and distributing those amounts to counties;
- concerns by counties about LOIT distributions;
- unverified workers remitting the correct income tax liability;
- the time lag between collection of income tax revenues and LOIT distributions;
- possible legislative changes to allow for more timely LOIT distributions; and
- verifying the number of personal exemption claimed by individual income tax filers;

Ann Cottongim, Governmental Affairs Director of the Indiana Association of Cities and Towns (IACT), was recognized to testify on LOIT distribution and annexation issues facing cities and towns. Ms. Cottongim testified the IACT was currently working on proposals for the next legislative session to address concerns by IACT members about LOIT distributions. Ms. Cottongim asked the Commission to be cautious in addressing annexation issues so as not to discourage annexation, and also asked that the Commission stay informed on the work of the Interim Study Committee on Annexation.

David Bottorff, Executive Director of the Indiana Association of Counties (IAC) was recognized to testify on LOIT and annexation issues facing counties (Exhibit F). Mr. Bottorff discussed the effort of the IAC to educate their members on the LOIT provisions of HEA 1478-2007. Mr. Bottorff testified that counties feel there is a loss of income tax revenue shifted to cities and towns due to annexation is disproportional to the decrease in funding for services that a county will no longer provide to the annexed areas. Mr. Bottorff also discussed the possibility of using interlocal agreements to mitigate the annexation issues.

#### V. Other Business and Adjournment.

Sen. Kenley noted that testimony by the public submitted to the Commission's website (<http://www.in.gov/legislative/propertytaxreform/>) was distributed to the Commission (Exhibit

G), along with public comments forwarded from the Commission on Local Government Reform.

Sen. Kenley announced that the Commission's remaining meetings are scheduled for October 1, October 15, and November 12, 2007 if necessary. He also suspended the agenda item of real property sales disclosure statements for the next meeting.

Sen Kenley adjourned the meeting at 4:55 PM.